



United States
Department of
Agriculture

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Food and Consumer Service
Reply to
Attn. of: SP 98-04
CACFP-538
SFSP-324

Mountain Plains
Region

Subject: Use of limited scope audits as a monitoring tool

1244 Speer Blvd.
Denver, CO
80204-3581

To: STATE AGENCY DIRECTORS - Colorado ED, Colorado DH, Iowa, Kansas
(Child Nutrition Programs) Missouri ED, Missouri DH, Montana OPI,
Montana DPHHS, Nebraska ED, North Dakota,
South Dakota, Utah, Wyoming ED, Wyoming DHSS

As you know, the new Office of Management and Budget (OMB) Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations) raised the threshold for requiring an audit from \$25,000 to \$300,000 for fiscal years beginning on or after July 1, 1996. It was codified into a new 7 CFR 3052 on August 29, 1997 and is identical to the revised Circular A-133 which was transmitted to you by Financial Management on September 22, 1997.

With the higher threshold the State Agency (SA) may not impose an additional audit requirement on entities receiving less than \$300,000 in accordance with 7 CFR 3052.200(d). SAs also cannot reimburse sponsors for the cost of audits conducted at the discretion of the sponsor which are not required in accordance with the provisions of the circular or this memorandum. It is important to note, however, that 7 CFR 3052.230 (b) (2) introduces a new concept for monitoring subrecipients which do not qualify for an A-133 single audit or program specific audit. This new concept uses limited scope audits.

Limited scope audits must be arranged and paid for by the pass-through entity, SA, using State Administrative Expense (SAE) Funds, Child and Adult Care Food Program 2 percent funds, or State Administrative Funds, as appropriate. Funding for limited scope audits only applies to agreed-upon procedures and engagements conducted in accordance with either the American Institute of Certified Public Accountants generally accepted auditing standards or attestation standards; i.e., "with respect to the items tested in all material respects nothing came to our attention that caused us to believe that subject organization had not complied."

Limited scope audits may only address one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and reporting. A limited scope audit is narrower in scope than an A-133 single audit or program-specific audit, in which the auditors perform such procedures as will, in their professional judgment, support the expression of an opinion on financial statements and on programmatic compliance.

If you have any questions, please call our office at (303)844-0355.

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